



8011-01

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85206; File No. SR-MSRB-2019-03]

### **Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to the MSRB's Facility for the Short-Term Obligation Rate Transparency (SHORT) System to Modernize and Consolidate the Information Facility for the SHORT System**

February 27, 2019

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 25, 2019 the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The MSRB filed with the Commission a proposed rule change (the "proposed rule change") to the MSRB's facility for the Short-Term Obligation Rate Transparency (SHORT) system to modernize and consolidate the information facility for the SHORT system (the "SHORT IF"), which consists of the electronic interface for the collection and dissemination of information and documents related to municipal securities bearing interest at short-term rates and

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

the electronic systems that process and transmit the information and documents for further dissemination (the “SHORT system”). The MSRB has filed the proposed rule change under Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6)<sup>4</sup> thereunder, as a noncontroversial rule change that renders the proposal effective upon filing. The proposed rule change would be made operative on April 8, 2019.

The text of the proposed rule change is available on the MSRB’s website at [www.msrb.org/Rules-and-Interpretations/SEC-Filings/2019-Filings.aspx](http://www.msrb.org/Rules-and-Interpretations/SEC-Filings/2019-Filings.aspx), at the MSRB’s principal office, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

MSRB Rule G-34 (“Rule G-34”), on CUSIP numbers, new issue, and market information requirements, requires brokers, dealers, and municipal securities dealers (collectively, “dealers”) to report certain information and submit certain documents to the MSRB

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<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

about auction rate securities (“ARS”) and variable rate demand obligations (“VRDOs”). More specifically, in terms of auction rate securities, Rule G-34(c)(i)(A) currently requires each dealer that submits an order directly to an auction agent for its own account or on behalf of another account to buy, hold or sell an auction rate security through the auction process program dealer shall report, or ensure the reporting of, certain data about the auction rate security and the results of the auction to the MSRB. In terms of VRDOs, Rule G-34(c)(ii)(A) currently requires each dealer acting in the capacity of a remarketing agent to report certain information to the MSRB and to use its best efforts to obtain and submit certain documents to the MSRB.

The SHORT system provides the submission platform and instructions for how dealers fulfill these regulatory obligations, as well as certain processing of dealer data submissions for public dissemination by the MSRB. The SHORT IF sets forth the material aspects of the operation of the SHORT system by describing the basic functionality of, and the high-level parameters by which the MSRB operates, the SHORT system. The proposed rule change consists of amendments to the SHORT IF.<sup>5</sup>

### Background

The SHORT system was implemented in 2009 to establish a transparency system for collecting and disseminating interest rate and descriptive information on ARS and VRDOs and to provide free public access to information disseminated from the SHORT system through the MSRB’s Electronic Municipal Market Access (EMMA®) system’s Short-Term Obligation Rate Transparency Service, which makes such information and documents publicly available on the

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<sup>5</sup> The SHORT IF is currently available on the MSRB’s website at <http://www.msrb.org/Rules-and-Interpretations/MSRB-Rules/Facilities/SHORT-Facility.aspx>.

EMMA Portal (<https://emma.msrb.org/>).<sup>6</sup> The MSRB also makes such information and documents available through certain paid subscription feeds, which provide access to the data for a commercially reasonable fee in accordance with the terms of a subscription agreement between the MSRB and a subscribing counterparty.

In 2010, the SHORT system was enhanced to collect additional information and documents that define auction procedures and bidding information for ARS and additional information on VRDOs, including interest rate setting mechanisms and liquidity facilities.<sup>7</sup> The MSRB's most recent amendment to the SHORT IF in 2015 included, among other things, additional descriptions regarding the general availability of the SHORT system and its core operational hours.<sup>8</sup>

The purpose of the proposed rule change is to revise the SHORT IF to harmonize its language and structure with the recently revised EMMA IF<sup>9</sup> and Real-Time Transaction Reporting System (RTRS) information facility ("RTRS IF"),<sup>10</sup> as well as to modernize and consolidate certain elements of the SHORT IF. As part of its ongoing efforts to ensure the precision and accuracy of its information facilities, the MSRB initiated a review of each of its

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<sup>6</sup> See Securities Exchange Act Release No. 34-59212, January 7, 2009 (File No. SR-MSRB-2008-07).

<sup>7</sup> See Securities Exchange Act Release No. 62755, August 20, 2010 (File No. SR-MSRB-2010-02).

<sup>8</sup> See Securities Exchange Act Release No. 75602 (August 4, 2015), 80 FR 47976 (August 10, 2015) (File No. MSRB-2015-06).

<sup>9</sup> See Securities Exchange Act Release No. 84837 (December 17, 2018), 83 FR 65765 (December 21, 2018) (File No. MSRB-2018-09).

<sup>10</sup> See Securities Exchange Act Release No. 83038 (April 12, 2018), 83 FR 17200 (April 18, 2018) (File No. MSRB-2018-02).

three information facilities to ensure that they sufficiently and clearly describe the basic functionality and operations of the systems. The SHORT IF is the last information facility to be reviewed.

In light of the already-enacted revisions to the EMMA IF and the RTRS IF, the MSRB not only performed a comprehensive review of the SHORT IF to evaluate whether it sufficiently and clearly describes the basic functionality and operation of the SHORT system, but also to evaluate whether its language conforms to and is otherwise consistent with the language utilized in the other information facilities. The MSRB believes that dealers, issuers, obligated persons, other submitters and subscribers benefit from the information included in the SHORT IF being provided in a concise and organized manner.

#### Proposed Amendments to the SHORT Information Facility

##### (i) Improved Descriptions of SHORT Functionality

As part of its comprehensive review, the MSRB analyzed whether aspects of the SHORT IF could be enhanced to more precisely or concisely describe the SHORT system's functionality and operation, while ensuring that the SHORT IF continues to appropriately describe the basic functionality of and the high-level parameters by which the MSRB operates the EMMA system.

One area where the MSRB determined that an enhanced description of SHORT system functionality would be beneficial is in reference to the process for posting documents and information on display on the EMMA Portal and dissemination through the SHORT subscription services. The SHORT IF references that the SHORT system disseminates information and documents within certain timeframes upon "acceptance." As suggested in the revisions to the EMMA IF, the term "acceptance" could be interpreted to suggest that the MSRB formally approves or otherwise reviews the substantive content of a submission prior to its dissemination.

The proposed amendments would revise this language to clarify that documents and information are disseminated promptly following successful processing of a submission through the SHORT system. For purposes of the SHORT IF, promptly shall mean within 15 minutes following the intake of the data by the SHORT system, transformation of such data for operational usability, and storage for effective retrieval for display or dissemination to public users and/or subscribers (“processing”). Submissions outside of core operational hours may be posted on the EMMA Portal promptly following the processing of such information, though some submissions outside of core operational hours may not be processed until the next business day.

This clarification is consistent with the recent amendments to the EMMA IF and RTRS IF and better describes the SHORT system’s ministerial function of intaking, displaying and disseminating documents and information. This description also reflects the fact that, prior to display and dissemination, the SHORT system, among other things, conducts routine format checks and timestamps the data, but does not conduct a substantive content review process to accept the documents and information submitted.

(ii) Removal of Certain Technical and Ancillary Information

Given that the purpose of the SHORT IF is to set forth the material aspects of the SHORT system’s operation, highly technical and ancillary information regarding the SHORT system is more appropriately provided in the Specifications for the SHORT System Data Submission System and similar documents that the MSRB maintains on its publicly available website ([MSRB.org](https://www.msrb.org)). The MSRB maintains several specification documents for the SHORT system, including the Short-term Obligation Rate Transparency (SHORT) System Submission Manual, Specifications for the SHORT System Data Submission System, and the Specifications

for SHORT System Document Submission Services (collectively, the “SHORT System User’s Manual”).<sup>11</sup>

The SHORT System User’s Manual provides detailed information regarding, among other things, user guides for website submission interfaces and input specifications for computer-to-computer submission. Similarly, the Specifications for the Short-term Obligation Subscription Service (“SHORT Subscription Service”), Instructions for the MSRB SHORT Subscription Service and Historical Data Product, Specifications for the EMMA SHORT Historical Product and the Specifications for the SHORT System Subscription Service (collectively, the “SHORT Subscription Publications”) provide specifications and requirements to access, retrieve and understand the SHORT subscription services.<sup>12</sup> The MSRB also maintains an MSRB Subscription Services Price List on [MSRB.org](http://www.msrb.org) to inform interested individuals about the pricing for the MSRB’s subscription services.

The proposed rule change would remove certain technical and ancillary information from the SHORT IF that is already presented in the SHORT System User’s Manual and the SHORT Subscription Publications. The removal of such information will streamline the SHORT IF by only presenting the information that is necessary to describe the material aspects of the operation of the SHORT system.

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<sup>11</sup> The Short-term Obligation Rate Transparency (SHORT) System Submission Manual, Specifications for the SHORT System Data Submission System, and the Specifications for SHORT System Document Submission Services are currently available on the MSRB’s website, including at: <http://www.msrb.org/Market-Transparency/Manuals.aspx>

<sup>12</sup> The Specifications for the SHORT System Subscription Service are currently available on the MSRB’s website at: <http://www.msrb.org/Market-Transparency/Subscription-Services-and-Products/Variable-Rate-Securities-Subscriptions.aspx>

## 2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with the provisions of Section 15B(b)(2)(C) of the Act,<sup>13</sup> which provides that the MSRB's rules shall:

... be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The proposed rule change would contribute to the MSRB's continuing efforts to improve market transparency by providing greater transparency regarding the material functionality and operations of the SHORT system. As the SHORT system disseminates information and documents related to municipal securities market bearing interest at short-term rates, any improvement with respect to the understanding of how the SHORT system operates will further perfect the mechanism of a free and open market in municipal securities. In addition, the clarifying amendments to the SHORT IF serve to foster the cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and

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<sup>13</sup> 15 U.S.C. 78o-4(b)(2)(C).



facilitating transactions in municipal securities and municipal financial products, by making it more likely that the market is promptly provided with the latest information.

Specifically, the proposed amendments would increase the clarity and precision with respect to the description of basic SHORT system functionality and the high-level parameters by which the MSRB operates the SHORT system. The MSRB believes that dealers, issuers, obligated persons, other submitters and subscribers will benefit from a clearer understanding of this information. While additional technical information regarding the SHORT system is set forth in the SHORT System User's Manual, the SHORT Subscription Publications, and other similar documents that the MSRB maintains, the MSRB believes that it is important that material information regarding the SHORT system be clearly described in the SHORT IF. The proposed rule change serves this purpose.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 15B(b)(2)(C) of the Act<sup>14</sup> requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change consists of revisions to the SHORT IF to better align the language of the information facility to the MSRB's administration of the SHORT system. The proposed rule change seeks to clarify existing services and make minor changes of a technical nature to the information facility, including revisions that are consistent with the MSRB's prior rule filings that revised the information facilities for RTRS and EMMA. The proposed rule change will not substantively modify the manner in which the MSRB administers the SHORT system in collecting and disseminating information about municipal securities. Accordingly, the MSRB

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<sup>14</sup>

Id.

does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Board did not solicit comment on the proposed change. Therefore, there are no comments on the proposed rule change received from members, participants or others.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>15</sup> and Rule 19b-4(f)(6) thereunder.<sup>16</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);\_or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MSRB-2019-03 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-MSRB-2019-03. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2019-03 and should be submitted on or before **[INSERT DATE 21 DAYS FROM PUBLICATION IN THE *FEDERAL***

***REGISTER].***

For the Commission, pursuant to delegated authority.<sup>17</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

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<sup>17</sup> 17 CFR 200.30-3(a)(12).

